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## ALTERNATIVE FINANCING FOR ENTERPRISE DEVELOPMENT: THE CASE OF UKRAINE

*Mezzanine financing represents an innovated form of financing, that is new and less popular in Ukraine. The problems of Ukrainian financial market are underlined. The article specifies the criteria of evaluation of different sources of financing including classic and innovative forms. It shows strength and weaknesses of each financing source in Ukrainian condition. The T. Saati Method is used to form the matrix of the advantages of different sources of financing. This evaluation was performed on the basis of 7 criteria.*

*A systematic analysis using the Saati hierarchy method showed, that the most important criterion for choosing a source of financing for Ukrainian enterprises is independence in management and decision-making in the enterprise, other factors influencing the choice of financing are the size and price of the financial source. Considering a small business, that seeks to scale its business and innovate, the attractiveness of the types of financing was assessed on the basis of selected criteria. The analysis shows that traditional loan is much more popular, then other sources, but it also indicated the advantages of mezzanine financing in comparison to the other types of financing.*

*Enterprise needs adequate financial support, the forms of which are currently quite diversified. Alternative sources of financing could be direct investment funds, government bonds for emigrants, that gives countries access to their migrants' funds and uses them for economic development. Among the alternative forms of financing the development of enterprises is mezzanine financing which is widespread in international activities but is practically not used in Ukraine. Ukrainian financial market can implement mezzanine activities on the basis of European experience through the creation of specialized financial institutions. This important step requires legislative changes, that are necessary to implement mezzanine financing and other alternative forms of financing of the enterprises.*

**Keywords:** *corporate financing sources, mezzanine, equity, debt, Ukrainian financial market.*

**Introduction.** Enterprises at different stages of their operation and development life cycle need appropriate financial support. Financing as a process of providing financial resources is a precondition for business scaling, investment and innovation, technological modernization, implementation of projects and programs. The use of various forms and technologies of financing investments in enterprise development is relevant from the standpoint of the need to increase the competitiveness of the state economy and ensure its growth. Along with the traditional forms of financing, there are new ones - alternative and hybrid forms of financing of enterprises, which significantly expand the access of the business entity to the necessary financial resources.

**Literature review.** At the micro level there is a five-element financing system, the components of which are self-financing, direct financing through capital market mechanisms, bank lending, budget financing, and mutual financing of economic entities (Kovalev V., 2000)[1]. These forms of financing

are traditional. Non-traditional forms include leasing, factoring, forfeiting, venture financing. However, at present, the "new economy", which is based on the use of knowledge and information and communication technologies, is diversifying the forms of financing. It is about hybrid tools.

The analysis of financing of activity of the enterprises in Ukraine allows to draw a conclusion, that at present traditional sources and forms of financing are mainly applied. Thus, in 2019, 68.1% of capital investments in Ukraine were financed by own funds of enterprises and organizations, 7% - by bank loans and other loans, 0.6% - by foreign investors (*Danylushyn, 2019*)[2]. Statistics indicate a lack of diversity in funding sources, and therefore their insufficient size. This allows us to form the first hypothesis of the study: the introduction of alternative forms of financing will significantly expand the access of domestic enterprises to financial resources and improve their investment opportunities.

The analysis of domestic scientific works shows insufficient attention to the latest mechanisms of financing the development of economic entities, the low level of scientific substantiation of forms of financing, which are used with varying degrees of efficiency by the entities. Recently, research on hybrid forms of financing has intensified, among which the most common is mezzanine (*Korneeva Yu., 2018*[3]; *Lyuta O., 2013*[4], *Mykolushyn M., 2012*[5], *Tetrevova L. and Svedik I., 2018*[6]). The authors emphasize, that mezzanine financing has advantages over traditional forms of enterprise financing. In the article the following hypothesis is created: the selection of criteria for comparing different types of financing and their expert evaluation will allow enterprises to decide on the type of financing in specific conditions.

**The main purpose of the article** is to evaluate and justify the advantages of mezzanine form of financing for expanding the access of domestic enterprises to financial resources.

**Research methodology.** The study used general scientific methods of observation and comparison, as well as systems analysis. The observation was used to describe the features of the financial market of Ukraine, to identify trends and "bottlenecks" in the financing of enterprises. The method of comparison was used in the analysis of world experience and assessment of the possibility of its application in the realities of the transitive Ukrainian economy.

One of the modern methods of systems analysis used in planning at different levels is the method of analysis of hierarchies, developed by T. Saati (*Saati, 2004*)[7]. This method can be useful for making decisions based on factors between which there is no relationship. It consists of the division (decomposition) of the problem into simpler components, and processing with mathematical methods of expert judgments, which give estimates of pairwise comparisons of factors and options.

The system is divided into two levels: on the first - each feature receives a certain assessment and is compared in pairs to obtain its importance in the decision-making system. It means, that the expert method will compare the importance of the essential characteristics of the types of financing. Second level: the types of financing are compared with each other on each criteria to select the best financing option.

The following scale from 1 to 9 is used to assess the weight, where: 1 - equal importance of the compared elements, 3 - moderate advantage of one over the other, 5 - significant advantage, 7 - strong or significant advantage, 9 - very strong advantage. 2, 4, 6, 8 - intermediate decisions between two adjacent judgments.

**Results and discussion.** The dominant component of resource provision of enterprises is financing, which is determined by the availability of their own financial resources and conditions of access to external sources of their mobilization. The term "financing" can be understood as a capital in cash, which is given or borrowed through financial markets or institutions for investment; in a broader sense, this term is used to denote funds from any source, intended for the implementation of any costs.

Financial support of economic entities can be considered in two areas - financial support for their current activities and financial support for development. The second case is about increasing the scale of business, modernization of technical and technological base, implementation of innovative solutions, that require financing of investment and innovation activities, marketing, human resources, scientific and technical strategic development. The inability to provide those changes financially threatens not only the reduction of the company's potential, but also in the long run - the loss of

competitiveness. Ukraine's economy and its businesses need to expand access to finance and to break the vicious circle of "unprofitable activities - lack of financial resources".

When considering financing of the enterprise it is necessary to distinguish its sources and forms. Financial sources for investments in the development of the enterprise are: own funds of businesses and households, investment expenditures from the state budget, loans from Ukrainian and foreign banks, funds from the capital market, foreign direct investment. The form of financing is defined as an orderly way of mobilizing financial resources, which is characterized by the sources and conditions of their involvement.

Participation of banking institutions in the investment processes of the real sector and the development of stock market are very limited. Ukrainian banks have less project of long-term lending, and the lending potential of the EBRD, IFC, EIB is used by 20-25%. In recent years, banks' investment activity in Ukraine was concentrated on the investments in deposit certificates and IGLBs. Instead of lending to the real sector of the economy, banks invest in government bonds: on October 11, 2019, banks had IGLBs worth UAH 344.8 billion, or 42.7% of all IGLBs, that are in circulation. Allocating at least part of these funds into corporate lending would significantly increase GDP and create additional jobs (*OECD, 2019*)[8].

The stock market in Ukraine is inactive and currently does not create a source of funds for business development. It is characterized by a small number of participants, issuers, instruments, insufficient circulating funds, a significant lag in most indicators not only from highly developed countries, but also from the vast majority of countries of the former Soviet Union and Eastern Europe. Thus, according to the results of work in 2018, almost 95% of transactions on the stock market are agreements with government securities, the stock market is effective only in matters of ownership - change of rights, redistribution of shares (*Khromayev, 2019*)[9].

The possibility of attracting financial resources on the world market through debt borrowing requires relevant experience, which is small even in large Ukrainian companies.

An alternative to bank loans or a stock exchange are private equity funds. Such funds invest in a growing business, that is in the top 10-20 of the enterprises in their industry. The direct investment fund seeks to establish control over key decisions in the company and the possibility of a successful exit from the investment. The investment period of private equity is 5-7 years, after which the fund expects, that the business can be sold to a strategic investor or make an IPO on the international stock exchange.

Earlier in Ukraine there were various private investment funds, which invested a total amount of more than \$ 1 billion in Ukrainian enterprises. Today, Horizon Capital is an active player in the field of private equity in Ukraine, as well as investment divisions of international banks such as Concorde Capital, Dragon Capital, Goldman Sachs and the ICU Group. They invest in consumer goods, agriculture, real estate, renewable energy and banking business.

The state can also create an alternative source of financing of the economic development of the country as well as individual enterprises. Countries take different approaches in solving the problems of financial support of their companies and important investment projects, that are not interesting or less profitable for investors. Sometimes they generate non-standard solutions. Israel's experience for raising resources by issuing diaspora bonds may be useful for Ukraine (*Gaidutsky, 2019*)[10]. Such bonds are issued in small denominations (\$ 100- \$ 10,000), which expands the range of potential buyers, especially since the bonds can be bought not only by the Jewish diaspora, but individuals and legal entities can buy them. Since 1951, Israel has placed such securities annually among the Jewish diaspora in the United States, Canada, some EU countries, and Latin America. With this tool, more than \$ 40 billion has been raised for the development of large infrastructure projects, the biggest part of the funds has been allocated in specific projects aimed at strengthening the country's competitiveness in the region and the world. The Government of Israel greatly appreciates this mechanism for its ability to mobilize resources consistently.

A similar experience can be applied in Ukraine, which has a large diaspora abroad, as well as millions of migrant workers, whose funds can be involved in economic development. However, the

key problem here is not only the creation of mechanisms of such funding, but the extremely low level of trust in state institutions.

Among the possible alternative solutions, the tools of mezzanine (hybrid) financing of enterprise development will be considered. It can be defined as specific financing tool for enterprises, that enable them to mobilize capital primarily to finance investment and innovation projects on special terms.

Mezzanine financing is one of the newest instruments for raising capital and is only becoming more widespread in the international practice of financial management. According to a study by the PwC consulting and auditing network, about 20% of all liabilities of enterprises in developed countries in Europe and North America are liabilities arising from mezzanine financing. (*PwC, 2011*)[11].

In economics, the concept of "hybrid" can be found in the literature mainly in the theory of finance and banking engineering. For example, in banking, a hybrid instrument is a subordinated capital, which the National Bank of Ukraine defines as subordinated debt, that is credited to the bank's capital. In turn, subordinated debt - ordinary unsecured debt capital instruments (components of capital), which according to the contract cannot be taken from the bank before five years, and in case of bankruptcy or liquidation of the bank is returned to the investor after repayment of claims of other creditors. Based on the above interpretation, it follows, that subordinated debt has the characteristics of both equity and debt capital, which is a sign of hybridity.

There is currently no unified definition of mezzanine capital. Mezzanine Financing is understood as an intermediate level of financing between loan and equity. The final report of the European Commission "Mezzanine financing" (*based on the results of a round table between representatives of banks and small and medium-sized companies, 2007*)[12] states, that mezzanine financing (mezzanine finance) is a combined term for hybrid forms of financing, which have features of debt and equity.

It means, that mezzanine financing combines the features of both debt financing (loans, bonds) and equity (shares, direct investment). Such financing is a scheme where the owner of resources (investor) directs them in the recipient company without entering into the ownership, and receive debt obligations and options with the right to acquire corporate rights (shares) of the borrower in the future on certain conditions. The application of the mezzanine financing mechanism enables the companies - initiators of projects - to make large investments without having significant capital.

Mezzanine investors in world practice are banks, as well as non-bank financial institutions - pension and insurance funds, private investment funds, insurance companies and others. An investor with mezzanine financing does not intend to gain power over the company. During the operation of the mezzanine financing agreement, the lending company does not interfere in the borrower's financial policy and activities, although the agreement may give the lender the right to approve key decisions and exercise control.

Banking institutions can provide both mezzanine loans and the purchase of bonds, which can be issued during mezzanine financing. Mezzanine loan is a subordinated unsecured loan with repayment of principal at the end of the loan term with the possibility of converting the amount of debt into shares of the borrower (term not less than 3-5 years with repayment of the loan at the end of term).

Mezzanine financing is a medium-risk and income-generating instrument. At the same time, the transaction involves significant risks for the creditor, because in the event of bankruptcy of the debtor, his "contributions" to equity will be repaid last in order.

One of the advantages of mezzanine financing is the possibility for the borrower to choose a convenient form of debt repayment - directly repaying the investor loan with interest payments, or transfer the appropriate part of the stakes of the company, or combining several instruments.

Some domestic scientists (*Korneeva, 2018; Lyuta, 2013*) [3-4] link mezzanine capital to certain goals or objects of financing (implementation of innovative projects of the economic entity, risky projects, that may relate to both innovation and crisis management). However, acquaintance with the practice of using this type of financing in foreign countries shows, that it is not limited to certain activities.

In European practice (*according to the report of the European Commission, 2007*)[13] mezzanine financing instruments include: subordinated loans; participatory loans (participatory); passive ("quiet", hidden) participation (silent participation); convertible bonds; bonds with warrants.

Some mezzanine financing instruments, that can be combined, depending on the specifics of the borrower:

- mezzanine loan (unsecured or subordinated - subordinated loan). Subordination of such a loan is ensured by granting to the creditor the right to alienate or pledge directly the real assets of the borrower or its shares (structural subordination);

- convertible bonds, which provide payment of fixed interest and principal amount of the debt after the end of the loan term, or the possibility of the lender to receive shares of the borrower at a predetermined price instead of repaying the debt;

- "passive" participation of the investor in the capital of the company, in which the investor owns a share in the capital of the company but is not responsible for its obligations to creditors. In this case, information about the investor's participation in the capital of the borrower is closed to third parties, and the relationship between them, participation in the management and distribution of profits are determined by a confidential agreement.

The most common form of mezzanine financing is among public joint stock companies, whose shares are listed on the stock exchange. At the same time, it is suitable for companies, that are not listed on the stock exchange. Recipients can be small firms, that have a strategic vision, potential for development and need funding. For example, in Central and Eastern Europe there is a Mezzanine Management Foundation, which provides the appropriate type of funding. The Foundation's headquarters are in Vienna, and its regional offices are in Warsaw, Budapest and Bucharest (*EMPEA, 2014*)[14]. The capital of the fund is international. The fund's investors are private pension funds, investment banks and insurance companies. The fund manages their capital by investing in companies in the region. Often these are family businesses, that have the potential to grow and need capital. The desired amount of investment is 10-20 million euros, but the fund is implementing projects of smaller and larger size - from 7 to 45 million euros. The fund does not invest in real estate and startups at an early stage.

The fund is looking for types of business, that have a medium level of risk and, accordingly, a medium level of income. In the process of investing industry experts from Western Europe are engaged. The partner company can count on investments in the form of a subordinated and long-term loan for 6 years, which does not need to be repaid during this period. The return on funds begins after the end of the investment period. During the period, the firm can use the full amount of financing. Although the time horizon of investment is 6 years, in practice the average period is lower - about 3.5 years. The structure of investments is selected in accordance with a specific agreement. For example, recent investments in Poland were made in the form of reverse bonds, which were exchanged for shares, including preferred ones.

As it can be seen, mezzanine financing ultimately involves an increase in equity, but investors do not invest directly in share capital or other equity positions. The funds are initially provided on the terms of the loan, but at the same time the investor receives the right to repurchase equity securities issued in favor of the mezzanine investor at a pre-determined price.

A typical tool for the formation of mezzanine equity is the operation of transforming debt claims into corporate rights (Debt-Equity-Swap). Thus, if it is impossible to repay loans secured by corporate rights, a transaction can be performed to convert debt claims into corporate rights. The creditor (for example, the bank) becomes the co-owner of the debtor company, and the level of debt decreases. Corporate rights, that are transferred to the creditor as part of the transformation of debt into property may be transferred by other co-owners of the debtor, repurchased by the company itself or be issued as a result of an increase in share capital.

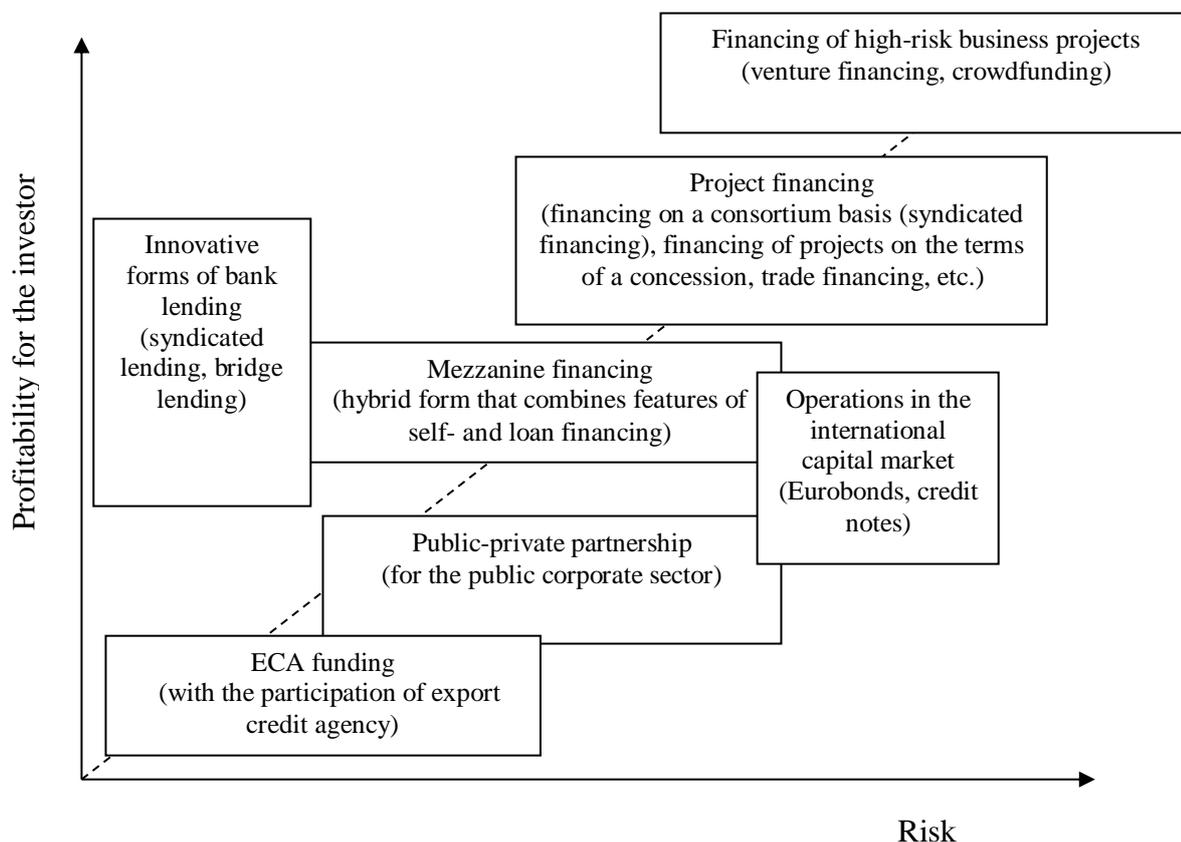
In 2014, a new version of the Law of Ukraine "On Joint Investment Institutions"[14] came into force, which allowed domestic banks to implement mezzanine activities based on the creation of specialized funds. Thus, banks can provide loans based on the creation of subsidiary venture funds, but only to legal entities in which such a venture fund is a participant (not less than 10% of the capital).

This, on the one hand, makes possible mezzanine financing, and on the other hand, significantly limits the fund's ability to implement it.

To intensify mezzanine financing in Ukraine in the segment of small and medium business, it is possible to adapt international schemes of cooperation of banks, as well as the creation of specialized state institution. Such financing can be developed either based on using the resources of state-owned banks or launch an appropriate program with the support of international institutions (EBRD, European Investment Bank) through the State Innovative Financial and Credit Institution.

For now, even among the top 10 successful and reliable banks in Ukraine, only ING Bank (Netherlands) offers loans, that are different from other institutions, namely bridge loans. The State Innovative Financial and Credit Institution offers mezzanine financing among the instruments for financing innovative projects. Therefore, it can be argued, that mezzanine financing should be provided by specialized financial institutions, as it is widely spread in other European countries.

The existing problems in financing force Ukrainian companies to look for non-traditional sources of financial resources for the domestic economy. At present, various forms of financing have been developed, that can provide an alternative to traditional bank lending, raising debt capital through the issuance of bonds or direct investment through the purchase of equity securities. Alternative forms of financing are shown on the Figure 1.



**Fig. 1. Alternative forms of enterprise financing**

*Developed by the authors*

To systematize the properties inherent in different forms of financing, the evaluation criteria were classified into two groups - from the standpoint of investors and from the standpoint of the enterprise. The table 1 shows the differences between the forms of funding according to each criterion.

Table 1

**Differences between equity, loan and mezzanine capital**

<b>Criteria</b>	<b>Equity (F1)</b>	<b>Mezzanine financing (F2)</b>	<b>Loan (F3)</b>
<i>Enterprise's criteria</i>			
<i>Time frame of ownership</i>	Unlimited	Limited, long-lasting	Limited under the contract
<i>Software</i>	Missing	Missing	Necessary
<i>Impact on the liquidity of the enterprise</i>	Not fixed, only in the case of profit distribution	Can be both partial during and at the end of the agreement	Fixed interest payments
<i>Tax burden</i>	The dividends are paid at the expense of net profit	Depending on the method of payment: fixed interest or profit binding	Fixed interest is attributed to the costs of enterprises and reduces the tax burden
<i>Procedure for return in case of bankruptcy</i>	Last in order	After repayment of all loan obligations, but before the return of share capital	First of all, depending on the type of lender
<i>The amount of capital</i>	Large	Medium	Small
<i>Transaction costs</i>	Large	Medium	Small
<i>Investor's criteria</i>			
<i>Goals of investors</i>	Increasing the value of investments and ensuring control over the company	Return on initial investment and ensure the required level of return on an acceptable level of risk	Repayment of the loan body and interest according to the loan agreement
<i>Responsibility of investors</i>	at least in the amount of investments in the authorized capital of the enterprise	only in the amount already converted into equity (convertible bonds)	there is no responsibility
<i>Participation in enterprise management</i>	gives the right to vote and control (except for preferred shares)	usually not carried out (although some of its forms may be prescribed in the agreement)	excluded
<i>Participation in profit distribution</i>	Gives the right to distribute profits in proportion to the share of corporate rights	Depends on the financial results	Does not depend on the financial results of the enterprise; participation in the distribution of profits is excluded
<i>Participation in assets</i>	In proportion to the share of corporate rights	Bond options	Requirements are limited to the nominal amount of the loan

*Developed on the basis of [15-17].*

Let's focus on the criteria, that companies use to select the form of financing.

Next, the Saati method is applied in choosing the type of financing. Each of the types of financing - equity, mezzanine financing, borrowed capital – (let's name them F1, F2, F3) is characterized by certain criteria - signs C1-C7. These characteristics of the types of financing include the following: time frame of ownership (C1), the investor's participation in profits (C2), tax burden (C3), pledge (C4), independence of the borrower (C5) amount of capital (C6) and transaction costs (C7).

Estimates of the factors are arranged in a square matrix as follows (Table 2).

**Table 2****The initial matrix for evaluating the criteria for selecting types of funding**

	<b>C1</b>	<b>C2</b>	<b>C3</b>	<b>C4</b>	<b>C5</b>	<b>C6</b>	<b>C7</b>
<b>C1</b>	1	1/5	1/3	1/2	1/7	3	4
<b>C2</b>	5	1	1	3	1/5	4	5
<b>C3</b>	3	1	1	1/3	1/7	1/5	2
<b>C4</b>	2	1/3	3	1	1/5	1	3
<b>C5</b>	7	5	7	5	1	5	7
<b>C6</b>	1/3	1/4	5	1	1/5	1	6
<b>C7</b>	1/4	1/5	1/2	1/3	1/7	1/6	1

*Developed by the authors*

The sum is calculated of the initial matrix by columns and obtain the vector  $(X) = 18.58; 7.98; 17.83; 11.17; 2.03; 14.37; 28$ .

Then the initial matrix is divided by the vector  $(X)$  and obtain a normalized matrix (Table 3):

**Table 3****Normalized matrix for evaluating the criteria for selecting types of funding**

	<b>C1</b>	<b>C2</b>	<b>C3</b>	<b>C4</b>	<b>C5</b>	<b>C6</b>	<b>C7</b>
<b>C1</b>	0,05	0,03	0,02	0,04	0,07	0,21	0,14
<b>C2</b>	0,27	0,13	0,06	0,27	0,10	0,28	0,18
<b>C3</b>	0,16	0,13	0,06	0,03	0,07	0,01	0,07
<b>C4</b>	0,11	0,04	0,17	0,09	0,10	0,07	0,11
<b>C5</b>	0,38	0,63	0,39	0,45	0,49	0,35	0,25
<b>C6</b>	0,02	0,03	0,28	0,09	0,10	0,07	0,21
<b>C7</b>	0,01	0,03	0,03	0,03	0,07	0,01	0,04

*Developed by the authors*

Now the sum of the elements of the normalized matrix in rows is calculated and obtain the vector  $(Y) = 0.56; 1.27; 0.53; 0.68; 2.93; 0.80; 0.21$ .

Then, the vector  $(Y)$  is normalized to a standardized form by dividing each element by the sum of the elements of the vector  $(Y)$ , which is 7. Standardized vector  $(Y): 0.08; 0.18; 0.08; 0.10; 0.42; 0.11; 0.03$ .

Vector  $(Y)$  gives us an information, that the most important criterion for choosing a source of financing is independence in management and decision-making  $C5$  (affects the decision on financing by 42%), then the criterion  $C2$  (investor's share in profits) and  $C6$  (amount of capital) (18% and 11%), the criteria of providing  $C4$  (10%), the time frame  $C1$  (8%) and the tax burden  $C3$  (8%) have lower relative weight.

Now there are 7 criteria ( $C1-C7$ ), next the types of funding are accessed - 7 matrices of pairwise comparison should be build. The types of funding will be compared according to each of the criteria in Table 4, and then the same approach will be used as in Table 3 to normalize the score (Table 4; 5).

**Table 4****The initial matrix for evaluating the forms of funding on each of the criteria**

Criteria C 1				Criteria C 2				Criteria C 3			
	F1	F2	F3		F1	F2	F3		F1	F2	F3
F1	1	3	5	F1	1	1/3	1/3	F1	1	1/3	1/3
F2	1/3	1	3	F2	3	1	1/2	F2	3	1	1/2
F3	1/5	1/3	1	F3	3	2	1	F3	3	2	1
Criteria C 4				Criteria C 5				Criteria C 6			
	F1	F2	F3		F1	F2	F3		F1	F2	F3
F1	1	1	7	F1	1	1/5	1/5	F1	1	3	5
F2	1	1	6	F2	5	1	1/2	F2	1/3	1	4
F3	1/7	1/6	1	F3	5	2	1	F3	1/5	1/4	1
				Criteria C 7							
					F1	F2	F3				
				F1	1	1/3	1/4				
				F2	3	1	1/4				
				F3	5	4	1				

*Developed by the authors***Table 5****Normalized matrix for evaluating the forms of funding on each of the criteria**

Criteria C 1				Criteria C 2				Criteria C 3			
	F1	F2	F3		F1	F2	F3		F1	F2	F3
F1	0,65	0,69	0,56	F1	0,13	0,10	0,14	F1	0,13	0,10	0,14
F2	0,22	0,23	0,33	F2	0,38	0,30	0,29	F2	0,38	0,30	0,29
F3	0,13	0,08	0,11	F3	0,50	0,60	0,57	F3	0,50	0,60	0,57
Criteria C 4				Criteria C 5				Criteria C 6			
	F1	F2	F3		F1	F2	F3		F1	F2	F3
F1	0,47	0,46	0,50	F1	0,08	0,06	0,10	F1	0,65	0,71	0,50
F2	0,47	0,46	0,43	F2	0,42	0,31	0,30	F2	0,22	0,24	0,40
F3	0,07	0,08	0,07	F3	0,50	0,63	0,60	F3	0,13	0,06	0,10
				Criteria C 7							
					F1	F2	F3				
				F1	0,11	0,06	0,14				
				F2	0,33	0,19	0,17				
				F3	0,56	0,75	0,69				

*Developed by the authors*

In Table 6 the type of financing, that receive the highest value of indicator is selected. The indicator is calculated in two steps. First, the weight of each criterion is multiplied by the vector of evaluations of forms of funding. Second, the results are summed up.

**Table 6****Ranking of the forms of financing**

Criteria		F1	F2	F3
	1	2	3	4
<b>C1</b>	0,08	0,63	0,26	0,11
<b>C2</b>	0,18	0,14	0,33	0,52
<b>C3</b>	0,08	0,14	0,33	0,52
<b>C4</b>	0,10	0,48	0,45	0,07
<b>C5</b>	0,42	0,09	0,35	0,56
<b>C6</b>	0,11	0,62	0,28	0,10
<b>C7</b>	0,03	0,10	0,23	0,67
<b>The value of the indicator</b>	<i>SUM(columnC x columnF)</i>	<b>0,245</b>	<b>0,336</b>	<b>0,416</b>
<b>Rank</b>	-	<b>3</b>	<b>2</b>	<b>1</b>

*Developed by the authors*

The analysis shows that the highest score receives the traditional loan. Mezzanine financing take second place, but it is better balanced than other sources, because its disadvantages are not so significant. This analysis gives us a useful tool to decide about better source of financing for the enterprise. Each of them could appoint the main criteria for their decision and then evaluate the possible sources of funding.

**Originality.** The factors, that slower the development of mezzanine financing in Ukraine, in addition to the lack of experience in conducting such operations, include the following:

1. Unresolved legal issues regarding the circulation of mezzanine financing instruments. For the development of mezzanine financing in Ukraine it is necessary to improve the legal framework, in particular to adopt bylaws of the Regulator, which clearly explain the possibility of using a symbiosis of debt financing with possible entry into the company's equity when creating credit qualification funds.

2. Weakness of the financial market, especially non-bank financial institutions.

3. High level of distrust of Ukrainian business entities in financial institutions, low culture of financial investment.

4. Insufficient and unsystematic information on the state and specifics of the functioning of industries, that require this type of funding.

However, these obstacles must be overcome, as the benefits provided by alternative forms of financing for the development of the enterprise are indisputable. The point is, that the emergence of alternative forms is beneficial for investors, as it will provide an opportunity to attract non-working capital and diversify the investment portfolio. In addition, there are benefits, that investors receive in mezzanine financing - these are the preemptive rights to acquire corporate shares or the right to convert loans (bonds or other debt instruments) into equity, as well as premium payments in case of repayment of mezzanine debt instruments.

There are significant advantages of mezzanine financing for companies - the ability to use borrowed funds during the whole period of loan; a long period and repayment at the end of it; no collateral; professional support of the expert; the ability to convert the loan into equity and IPO assistance.

A systematic analysis using the Saati hierarchy method showed, that the most important criterion for choosing a source of financing for Ukrainian enterprises is independence in management and decision-making in the enterprise, other factors influencing the choice of financing are the size and price of the financial source.

Considering a small business, that seeks to scale its business and innovate, the attractiveness of the types of financing was assessed on the basis of selected criteria. The analysis shows that traditional loan is much more popular, then other sources, but it also indicated the advantages of mezzanine financing in comparison to the other types of financing.

**Conclusions.** Enterprise development is the key to its competitiveness. However, it needs adequate financial support, the forms of which are currently quite diversified. Ukrainian enterprises use mainly their own sources of financing. In a situation where the banking sector has virtually withdrawn from investment lending and the stock market is inactive, it is important to use the potential of alternative forms of financing to ensure the development of enterprises. Alternative sources of financing could be direct investment funds, government bonds for emigrants, that gives countries access to their migrants' funds and uses them for economic development.

Among the alternative forms of financing the development of enterprises is mezzanine financing. It can be considered as a tool to raise funds for the needs of expanded reproduction. It is especially attractive for companies, that have the potential for growth, seek to attract long-term resources and have stable cash flows or sufficient capital. Previously, mezzanine financing was used only by large multinational corporations, but recently, these instruments are increasingly used by medium-sized enterprises. Mezzanine financing is widespread in international activities but is practically not used in Ukraine.

Main challenge is a creation of regulatory and legal support for the functioning of mezzanine funds, but it remains unresolved.

Ukrainian financial market can implement mezzanine activities on the basis of European experience through the creation of specialized financial institutions. This important step requires legislative changes, that are necessary to implement mezzanine financing and other alternative forms of financing of the enterprises.

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## **АЛЬТЕРНАТИВНЕ ФІНАНСУВАННЯ РОЗВИТКУ ПІДПРИЄМСТВА: ВИПАДОК УКРАЇНИ**

**Проблема.** Підприємства на різних етапах свого функціонування та життєвого циклу розвитку потребують відповідної фінансової підтримки. Стаття описує альтернативні форми фінансування, зосереджуючи увагу на антресольних інструментах фінансування (джерело фінансування).

**Мета** – виявити, охарактеризувати та оцінити інструменти міжповерхового фінансування порівняно з джерелами боргового та пайового фінансування.

**Результати.** Мезонінне фінансування являє собою інноваційну форму фінансування, яка є новою та менш популярною в Україні. Підкреслено проблеми українського фінансового ринку. У статті визначено критерії оцінки різних джерел фінансування, включаючи класичні та інноваційні форми. Він показує сильні та слабкі сторони кожного джерела фінансування в українських умовах. Метод Т. Сааті використовується для формування матриці переваг різних джерел фінансування. Ця оцінка була проведена на основі 7 критеріїв.

**Оригінальність.** Систематичний аналіз із використанням методу ієрархії Сааті показав, що найважливішим критерієм вибору джерела фінансування для українських підприємств є незалежність в управлінні та прийнятті рішень на підприємстві, іншими факторами, що впливають на вибір фінансування, є розмір та ціна фінансове джерело. Враховуючи малий бізнес, який прагне масштабувати свій бізнес та впроваджувати інновації, привабливість видів фінансування оцінювали на основі обраних критеріїв. Аналіз показує, що традиційні позики набагато популярніші, ніж інші джерела, але він також вказав на переваги мезонінного фінансування порівняно з іншими видами фінансування.

**Висновки.** Підприємству потрібна відповідна фінансова підтримка, форми якої в даний час досить різноманітні. Альтернативними джерелами фінансування можуть бути фонди прямих інвестицій, державні облігації для емігрантів, що надає країнам доступ до коштів своїх мігрантів та використовує їх для економічного розвитку. Серед альтернативних форм фінансування розвитку підприємств є антресольне фінансування, яке широко поширене у міжнародній діяльності, але практично не використовується в Україні. Український фінансовий ринок може реалізовувати антресолі на основі європейського досвіду шляхом створення спеціалізованих фінансових установ. Цей важливий крок вимагає законодавчих змін, необхідних для впровадження мезонінного фінансування та інших альтернативних форм фінансування підприємств.

**Ключові слова:** корпоративні джерела фінансування, антресолі, власний капітал, борг, український фінансовий ринок.

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